



INTERNAL MEMO

CITY OF BEND

TO: ERIC KING, CITY MANAGER

FROM: SHARON WOJDA, CHIEF FINANCIAL OFFICER

DATE: 5/6/20

RE: FOLLOW UP TO 4/24/20 LETTER RE: FEDERAL CARES FUNDING AND ASSISTANCE FOR LOCAL GOVERNMENTS

The City of Bend submitted a letter to the Governor's Office on April 24, 2020 detailing anticipated revenue shortfalls of \$10 million and demonstrating the need for strong COVID-19 related local government funding.

In response to the letter, the Governor's Office followed up with a question on the subject of tracking expenses directly related to COVID-19 response. This memo provides details on those expenses as the basis for federal assistance.

Direct Costs to City of Bend

We have been tracking COVID-19 related costs at both an invoice and timecard level across the organization. Our tracking includes purchases and hours worked since March 27 as well as those anticipated through December 31. A summary of actual and anticipated direct expenses is provided in Figure 1 below. We have categorized these expenses in alignment with the categories of eligible costs outlined in the U.S. Treasury's Guidance for the Coronavirus Relief Fund (CRF) within the federal CARES Act. An excerpt of the guidance is attached as Exhibit A.

Under Category 5 (Expenses associated with provision of economic support) we have included our utility assistance program as well as rent deferrals the City has approved for tenants in city-owned facilities whose business operations were directly impacted by the stay-at-home order. The CRF reimbursement criteria states "*Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures.*" Under that criteria, we have included utility bills paid on behalf of customers. In addition, we have included deferred rent for tenants of city-owned properties. If we waive the rent and consider it a grant to those businesses who have had their businesses interrupted by required closures, we can request reimbursement.

We estimate just over \$1 million in direct qualifying expenses. In addition, the City has repurposed a significant number of existing staff to addressing COVID-19 related needs. This has helped avoid furloughs and lay-offs. We estimate these costs at \$1.7 million, much of which should be also reimbursable under current Treasury Guidance.



Figure 1: Actual and Anticipated Costs Associated with COVID-19 Response

CARES Act Category of Eligible Expenses	Actuals March 1, 2020 to Date	Estimated through December 2020	Total
1. Medical expenses	\$ -	\$ -	\$ -
2. Public health expenses	51,700	513,600	565,300
3. Payroll expenses	11,700	198,000	209,700
4. Expenses to facilitate compliance with public health measures	25,500	104,500	130,000
5. Expenses associated with provision of economic support	33,400	95,900	129,300
6. Any other related expense	-	-	-
Total City of Bend COVID-19 Expenses	\$ 122,300	\$ 912,000	\$ 1,034,300

Community Funding Needs

In addition, through a series of focus groups with businesses in the industries most severely impacted by closures, we have learned of specific business funding needs that can be categorized under #5 above and which are not clearly addressed through the CARES Act by other means. The needs we’ve identified are in large part due to the fact that Small Business Development Association (SBA) funds will be exhausted prior to re-opening and 90-day private bank/lender forbearance will have expired. Yet the need for significant ongoing assistance will remain.

With approximately 75% of Deschutes County workers employed in Bend, using Oregon Employment Department data, we estimate 1,600 Bend-based businesses employing 21,000 people will need financial assistance to re-open. Businesses and non-profits will need grants between \$10,000 and \$25,000 to: 1) Purchase new inventory; 2) Bring employees back; 3) Invest in facility improvements to meet social distancing guidelines; 4) Purchase PPE, cleaning supplies, and signage to protect employees and inform customers; 5) Pay for business registration renewals (local and state) that are due while closed; 6) Transform special events to virtual events; and, 7) Meet rent and mortgage obligations due while closed. The total funds needed for these and related purposes range from \$16-40 million. Our hope is to allocate CRF funding from the State to local partners for administration and distribution to meet as much of this need as possible.

Summary

Receiving federal CRF funding to cover our COVID-19 related expenses is critical. Of course, this only represents a fraction of our needs. The CRF does not allow for back-filling lost revenue, which as noted in our 4/24/20 letter, is estimated at up to \$10 million. For that, additional federal assistance is needed.

We are fortunate to have sound Council-adopted fiscal policies serving as the financial management framework for the organization. Our proactive financial management has been demonstrated by the ratings received by Moody’s and S&P (Aa2 and AA+ respectively) this spring. As you know, we are going through a city-wide budget reduction exercise right now to reduce budgets by 10%. Without additional funding to backfill lost revenues, those 10% reductions will not be enough and we will have to make additional cuts. As Milken’s best performing small city for an unprecedented 4 years in a row, we are confident that our community can make a strong comeback, and strong federal funding to address the COVID-19 crisis will help us get there.



Exhibit A – List of Eligible Expenses from the Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments Dated April 22, 2020

Source: <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>

The CARES Act provides that payments from the Fund may only be used to cover costs that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

The guidance that follows sets forth the Department of the Treasury’s interpretation of these limitations on the permissible use of Fund payments.

Nonexclusive examples of eligible expenditures

Eligible expenditures include, but are not limited to, payment for:

1. Medical expenses such as:
 - COVID-19-related expenses of public hospitals, clinics, and similar facilities.
 - Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs.
 - Costs of providing COVID-19 testing, including serological testing.
 - Emergency medical response expenses, including emergency medical transportation, related to COVID-19.
 - Expenses for establishing and operating public telemedicine capabilities for COVID-19-related treatment.
2. Public health expenses such as:
 - Expenses for communication and enforcement by State, territorial, local, and Tribal governments of public health orders related to COVID-19.
 - Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers in connection with the COVID-19 public health emergency.
 - Expenses for disinfection of public areas and other facilities, e.g., nursing homes, in response to the COVID-19 public health emergency.
 - Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety.
 - Expenses for public safety measures undertaken in response to COVID-19.
 - Expenses for quarantining individuals.

3. Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency
4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:
 - Expenses for food delivery to residents, including, for example, senior citizens and other vulnerable populations, to enable compliance with COVID-19 public health precautions.
 - Expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions.
 - Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.
 - Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions.
 - COVID-19-related expenses of maintaining state prisons and county jails, including as relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions.
 - Expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.
5. Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency, such as:
 - Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures.
 - Expenditures related to a State, territorial, local, or Tribal government payroll support program.
 - Unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.
6. Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

